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RUEHKH/AMEMBASSY KHARTOUM  
RUEHGO/AMEMBASSY RANGOON 0442  
RUEHUB/USINT HAVANA 0014  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASH DC

UNCLAS SECTION 01 OF 02 OTTAWA 000105

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STATE FOR EB/ESC/TFS; WHA/CAN; L/EB (HEINEMANN)  
TREASURY FOR OFAC SEAN THORNTON

E.O. 12958: N/A  
TAGS: [CA](#) [EFIN](#) [KTFN](#) [PINS](#) [PTER](#)  
SUBJECT: MEETING WITH FINANCE CANADA OFFICIALS RAISES  
QUESTIONS

REF: A. OTTAWA 0085

[1](#)B. TORONTO 0021 (NOTAL)

Sensitive but Unclassified. Please protect accordingly.

[1](#)1. (SBU) Summary and action request: A meeting with the Director General, Financial Sector Policy Branch of Finance Canada allowed ECON Minister-Counselor to raise USG concerns about mischaracterizations of USG policy that have recently appeared in the Canadian press after disclosure that the Royal Bank of Canada (RBC) has closed U.S. dollar checking accounts of Canadians who are also nationals of Iran, Iraq, Cuba, Sudan, North Korea or Burma (Ref A). The Embassy also reviewed the USG regulatory stance on dollar-denominated accounts in Canadian banks and received a key question from the Canadians. They asked for clarification of the definition of &operating8 in the Embassy statement which will appear in Toronto,s Globe and Mail newspaper &that Foreign Financial institutions operating in the United States are required to abide by U.S. law, including restrictions based on U.S. economic sanctions.8 Post requests response to the action request ASAP as we understand that other Canadian banks could soon feel U.S. regulatory heat, which may serve to generate another media firestorm on this issue. End summary and action request.

[1](#)2. (SBU) On January 18, ECON Minister-Counselor and ECON staff met with Jeremy Rudin, Director General of the Financial Sector Policy Branch of Finance Canada. The meeting was precipitated by Embassy concerns about mischaracterizations of USG policy that have recently appeared in Canadian press (Ref A) and allowed the Minister-Counselor to clarify the USG regulatory stance on dollar-denominated accounts in Canadian banks. He explained that the United States has no sanctions laws that prohibit residents of Canada from opening a U.S. dollar-denominated account in a Canadian owned or controlled bank in Canada simply on the basis of their citizenship. He added that U.S. regulations against terrorist financing and money laundering are very specific and focused.

[1](#)3. (SBU) Rudin asked whether RBC,s difficulties with U.S. regulators stemmed solely from how RBC structures its U.S. dollar accounts, essentially as &pass-through8 accounts at its subsidiary New York City Branch, and whether a bank that uses another arrangement for clearing and settlement of USD

accounts would incur similar obligations/scrutiny from US regulators. Essentially, Rudin asked for a definition of what &operating8 in the United States means for a foreign financial institution since our position is that &Foreign Financial institutions operating in the United States are required to abide by U.S. law, including restrictions based on U.S. economic sanctions8. Rudin noted that the Canadian Finance Attache in Washington met with U.S. Treasury officials on January 18 to discuss RBC and raised the same question. Rudin also told us that U.S. Treasury officials plan to conduct outreach activities soon with the Canadian Bankers Association to further clarify USG rules as they could affect Canadian banks.

¶4. (SBU) With specific reference to the RBC case, Rudin said that the GoC had not been aware of the bank,s actions to close U.S. dollar accounts until this was made public in the Qpress, but he added that the bank could take such actions on its own and these would not have to be notified to Canadian authorities.

¶5. (U) Other Finance Canada staff who attended were: Lynn Hemmings, Chief, Financial Sector Division; Dan Colof, Senior Chief, Financial Sector Division; Beth Woloski, Chief, Consumer Issues.

¶6. (U) Text of Embassy letter (cleared by Treasury and State):

Editor  
The Globe and Mail  
Toronto, Ontario

With regard to your story of January 18, 2007 (&RBC moves to quell fury over U.S.-dollar accounts8), there is no U.S.

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sanctions law that bars foreign citizens who permanently reside in the United States from opening a U.S. bank account, simply because they are from a certain country. There is also no U.S. sanctions law that prohibits residents of Canada from opening a U.S. dollar-denominated account in a Canadian owned or controlled bank in Canada simply on the basis of their citizenship.

The United States does have laws to protect the integrity of its financial institutions from illicit activities. Canada and many other democratic countries have similar laws. We want to ensure that U.S. banks are not used to support terrorist activities, organized crime or drug trafficking. Some of our laws and regulations, for example, restrict the flow of money from the United States to countries that the U.S. deems to be engaged in terrorism or supporting terrorism. That seems only sensible.

Foreign financial institutions operating in the United States are required to abide by U.S. law, including restrictions based on U.S. economic sanctions. Absent a U.S. connection, however, we would expect foreign financial institutions to make an appropriate risk assessment to decide which business relationships they are willing to take on. But that is their choice, not ours. The U.S. Treasury,s Office of Foreign Assets Control (&OFAC8) publishes a great deal of information and guidance for the financial sector on its website.

Sincerely,

Brian J. Mohler  
Minister-Counselor for Economic Affairs  
Embassy of the United States of America  
Ottawa.

End text.

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<http://www.state.sgov.gov/p/wha/ottawa>

WILKINS